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RUEHAC/AMEMBASSY ASUNCION
RUEHBO/AMEMBASSY BOGOTA
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SIPDIS
STATE FOR R/MR, I/PP, WHA/BSC, WHA/PDA, INR/IAA

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SUBJECT: Santiago Nov. 16 Media Report

U.S.-Related News

11. Headline: "Bachelet and Obama Push Transpacific Trade"

Sub-headline: U.S. President supports initiative to expand (commercial) trade in the Pacific Rim. If there was one topic that President Bachelet highlighted at APEC it was President Obama's support for developing a transpacific agreement and the role that Chile played in negotiating it. Article includes photograph of Presidents Bachelet and Obama (Government-owned La Nacion, 11/16).

12. Although the United States was reluctant to establish an APEC free trade agreement, at the meeting with the P4 countries President Obama endorsed Bachelet's initiative to strengthen trade within the Asia-Pacific region. The agreement was one of Bachelet's most important diplomatic and commercial goals at APEC. Obama's endorsement was valued by La Moneda. "The P4, or transpacific agreement, has received U.S. support in a very positive environment.... There was initially considerable skepticism ... until the United States showed interest," said Foreign Minister Mariano Fernandez. Although the United States only said it would join the talks, Chilean official circles consider this the first step to launching negotiations (La Nacion, 11/16).

13. As Peruvian President Alan Garcia canceled his bilateral meeting with Bachelet without informing her, the Chilean delegation received a worthy invitation: President Obama requested a meeting with Bachelet at APEC (Popular, high circulation Las Ultimas Noticias, 11/15).

Chile-Peru and U.S. Weapons Sales

14. Peru has been engaging in talks to schedule a UNASUR Foreign Affairs meeting at the end of November to discuss Lima's proposal to decrease military acquisitions in the region. Peru is deploying these efforts in the wake of U.S. Congressional authorization to sell Chile missiles and radars for up to US\$ 665 million. Peruvian Foreign Minister Jose Antonio Belaunde harshly criticized the U.S. authorization (Conservative, influential El Mercurio, 11/16).

¶5. Press reports about a Peruvian officer arrested in Lima for allegedly spying for Chile started the day after the United States announced its authorization for Chile to buy air-to-air missiles (Conservative, independent La Tercera, 11/14; Conservative, afternoon La Segunda, 11/16).

¶6. Peruvian and Chilean diplomatic analysts believe that the real issue behind the Chile-Peru impasse over an alleged case of espionage is the U.S. authorization to sell Chile a package of weapons that includes missiles for the F-16 (La Tercera 11/14).

¶7. The government of Chile is troubled by Peru's decision, during APEC, to reveal the case of a Peruvian officer arrested for allegedly spying for Chile, when the individual was arrested in Lima two weeks ago (La Nacion, 11/16).

¶8. Chilean Air Force Commander-in-Chief Ricardo Ortega said that Chile has been very transparent in the arms sale and announced its eventual acquisition with "considerable anticipation." With regard to Peru's claims of an arms race in South America, Ortega noted, "these are the same type of missiles that Peru has, but of another origin (Russia) (La Segunda, 11/16).

¶9. Chilean Foreign Minister Mariano Fernandez dismissed the participation of the government of Chile "in any illegal activity in the relationship between the two countries (Chile and Peru)" (El Mercurio, 11/14).

¶10. Chilean Foreign Minister Mariano Fernandez said that Bachelet had met privately with her Peruvian counterpart Alan Garcia at APEC. Reportedly in that meeting Bachelet noted that this was the second time that Peru created an impasse with Chile during an international summit, adding that she considered this coincidence odd. The GOC believes that this is related to the claim that Peru submitted to The Hague in order to change its maritime border with Chile; Peru would be trying to portray that Chile is preparing for war and to disavow The Hague's ruling if it undermines its interests. Chile, on the other hand, had a completely different approach to recent cases of Peruvian espionage just a few months ago. In two cases, Chile deported the Peruvian citizens involved and issued the Peruvian embassy "a warning." (La Tercera, 11/15).

¶11. In the private conversation with President Garcia, Bachelet rejected the accusation that Chile was spying on Peru and questioned Garcia for using multilateral forums to create controversy (El Mercurio, 11/15).
SIMONS